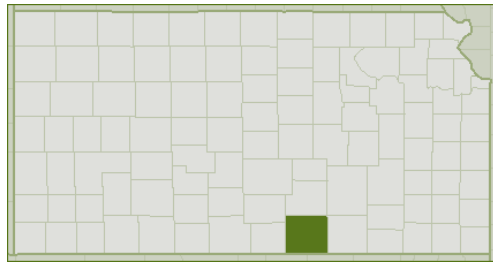


# ***ECONOMIC IMPACT OF PROPOSED GAMING FACILITY***



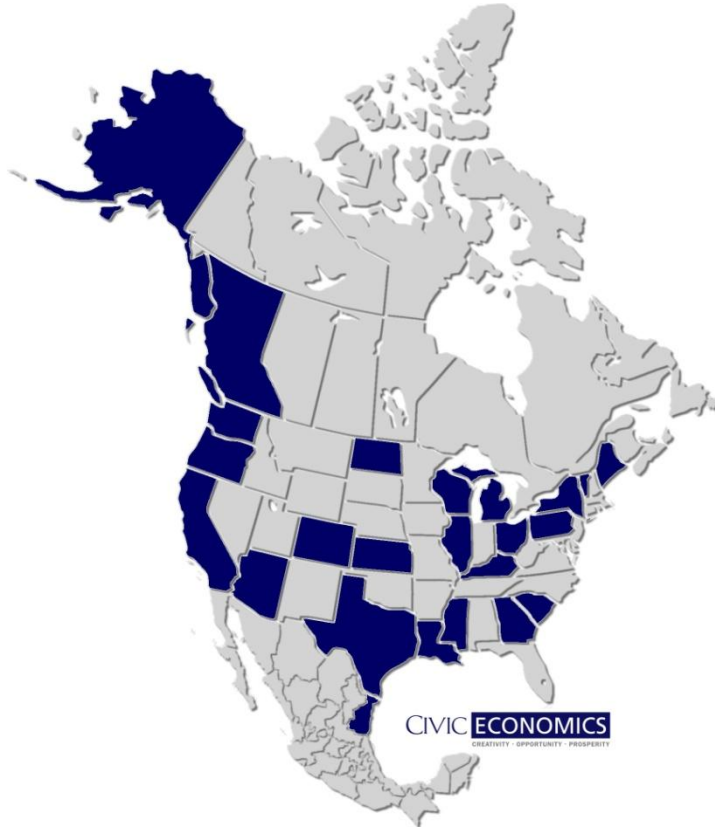
**SUMNER COUNTY  
GAMING ZONE  
2009**

# BRIEF AGENDA

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- About Civic Economics
- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

# About Civic Economics



***Economic Analysis & Strategic  
Planning for Sustainable Prosperity***

- Established in 2002
- Matt Cunningham in Chicago, Dan Houston in Austin
- Diverse practice in scope and geography
- Not a gaming/tourism practice

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# Scope of Work

# Scope of Work

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- Economic impact of construction and operations of proposed facilities
- Review of competition for non-gaming activities

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# Economic Impact Approach

# Economic Impact Approach

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- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
  - Developed a single model for both applicants
  - Built from the model developed in 2008

# Economic Impact Approach

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- Used data supplied by applicants where possible
  - Any adjustments made for both applicants



# NET Economic Impacts

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- The most important thing to learn today:
  - Economic impact analysis must focus on activity that is new to the study area
  - Activity that simply moves from one location or firm to another is not new to the area

# NET Economic Impacts

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- *Export Revenue:*
  - This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas.
- *Import Substitution Revenue:*
  - This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas.

# Economic Impact Reporting

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- Economic impacts are comprised of three separate categories.
  - *Economic Output* is the total production or sales derived from the project.
  - *Employment* is the total number of Kansans employed both on a full and part time basis in a given industry.
  - *Wages* is the amount of salaries and benefits paid to Kansas employees.

# Economic Impact Reporting

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- For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.
  - *Direct* effects capture the initial impact created.
  - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
  - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

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# Construction Impacts

# Construction Impacts

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- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Used only Phase I
- Cost inputs provided by applicants
- Assumed all activity in 2011
- Simply put, relative cost of proposed facilities drives relative outcomes

# Construction Impacts

CONSTRUCTION IMPACTS SUMMARY				
2009 GAMING FACILITY PROPOSALS				
Based on contractually obligated Phase I development				
	Direct	Indirect	Induced	Total
<b>ECONOMIC OUTPUT</b>	Total revenues associated with construction (\$ Millions)			
Chisholm Creek	\$ 53,077,176	\$ 19,241,766	\$ 19,796,218	\$ 92,115,165
<b>EMPLOYMENT</b>	Total workers, including full-time and part-time			
Chisholm Creek	475	127	187	788
<b>WAGES</b>	Total wages paid to workers identified above (\$ Millions)			
Chisholm Creek	\$ 19,457,062	\$ 6,341,115	\$ 6,012,012	\$ 31,810,190

Source: Applicant Submissions, IMPLAN, Civic Economics

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# Operating Impacts



# Operating Impacts

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- Used 2013 for first full year of operations
  - One year further out than used in 2008
- Steps to determine inputs:
  - Gaming revenue and operational scale
  - Calculation of net impacts from Cummings and Wells analyses
  - Final input modifications for labor costs

# Operating Impacts

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- Biggest change in 2009 approach:
  - Three Scenarios for each proposal
    - Phase I – Contractually obligated development
    - Raving Alternative Minimum
    - Full Build-Out – Goes beyond that which is technically required in the contracts

# Operational Scale

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- Applicants projected both non-gaming and gaming revenues
  - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted proportionately
  - Up in Sumner, down in Wyandotte

# Revenue Forecasts

## ADJUSTED REVENUE FORECASTS, 2013

*Based on contractually obligated Phase I development*

### KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Applicant *	\$	220,185,000
Estimated gaming revenue: Wells	\$	146,625,000
Estimated gaming revenue: Cummings	\$	186,000,000
<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>166,312,500</b>
<b>Ratio of Wells/Cummings to Applicant</b>		<b>0.76</b>

#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	\$	-
Food & Beverage Revenue	\$	12,067,164
Retail Revenue	\$	1,544,785
Other Revenue	\$	364,825

### CHISOLM CREEK, SUMNER, (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Applicant *	\$	121,139,087
Estimated gaming revenue: Wells	\$	134,518,000
Estimated gaming revenue: Cummings	\$	149,200,000
<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>141,859,000</b>
<b>Ratio of Wells/Cummings to Applicant</b>		<b>1.17</b>

#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	\$	-
Food & Beverage Revenue	\$	14,703,209.71
Retail Revenue	\$	1,543,977.05
Other Revenue	\$	292,404.59

SOURCE: Applicant submissions, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

\* Inflated by applicant at unknown rate

# Revenue Forecasts

## ADJUSTED REVENUE FORECASTS, 2013

*Based on Raving Alternative Minimum destination casino design*

### KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Wells	\$	178,101,000
Estimated gaming revenue: Cummings	\$	191,400,000

<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>184,750,500</b>
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<b>Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I</b>	<b>1.11</b>
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#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	^	\$	8,000,000
Food & Beverage Revenue	^	\$	14,000,000
Retail Revenue	^	\$	1,200,000
Other Revenue	^	\$	-

### CHISOLM CREEK, SUMNER, (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Wells	\$	156,449,000
Estimated gaming revenue: Cummings	\$	154,000,000

<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>155,224,500</b>
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<b>Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I</b>	<b>1.09</b>
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#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	^	\$	3,300,000
Food & Beverage Revenue	^	\$	14,000,000
Retail Revenue	^	\$	1,200,000
Other Revenue	^	\$	1,200,000

SOURCE: Raving Consulting, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

^ Estimated by Raving Consulting

# Revenue Forecasts

## ADJUSTED REVENUE FORECASTS, 2015

*Based on applicant's proposed full build-out*

### KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Applicant *	\$	326,784,894
Estimated gaming revenue: Wells	\$	222,699,000
Estimated gaming revenue: Cummings	\$	225,700,000
<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>224,199,500</b>
<b>Ratio of Wells/Cummings to Applicant</b>		<b>0.69</b>

#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	^	\$	10,000,000
Food & Beverage Revenue	^	\$	16,800,000
Retail Revenue		\$	1,456,231
Other Revenue		\$	-

### CHISOLM CREEK, SUMNER, (In 2009 Dollars)

#### GAMING REVENUE PROJECTIONS

Estimated gaming revenue: Applicant *		NA
Estimated gaming revenue: Wells	\$	180,639,000
Estimated gaming revenue: Cummings	\$	166,400,000
<b>Average of Wells &amp; Cummings</b>	<b>\$</b>	<b>173,519,500</b>
<b>Ratio of Wells/Cummings to Applicant</b>		<b>NA</b>

#### ADJUSTED NON-GAMING REVENUE PROJECTIONS

Hotel Revenue	\$	3,688,943
Food & Beverage Revenue	\$	15,650,062
Retail Revenue	\$	1,341,434
Other Revenue	\$	1,341,434

SOURCE: Applicant Submissions, Raving Consulting, Uninflated Projections from Wells Gaming and Cummings & Assoc., Civic Economics

\* Inflated by applicant at unknown rate

^ Estimated by Raving Consulting

# Net Gaming Revenue Adjustment

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- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
  - Import Substitution
  - Export

# Money Flows from State to State

## NET GAMING REVENUES IN KANSAS CASINOS, 2013

*Based on contractually obligated Phase I development*

### KANSAS ENTERTAINMENT, WYANDOTTE

#### Wells

Estimated Gaming Revenue	\$	146,625,000
Estimated Gaming Export	\$	34,139,039
Estimated Gaming Import Substitution	\$	69,780,064
Net or New Revenue	\$	103,919,103

#### Cummings

Estimated Gaming Revenue	\$	186,000,000
Estimated Gaming Export	\$	49,800,000
Estimated Gaming Import Substitution	\$	76,100,000
Net or New Revenue	\$	125,900,000

Average Net Revenue \$ 114,909,552

Net as a % of Gaming Revenue 69.1%

New Gaming Spending by Kansans \$ 51,402,949

### CHISHOLM CREEK, SUMNER

#### Wells

Estimated Gaming Revenue	\$	134,518,000
Estimated Gaming Export	\$	2,990,255
Estimated Gaming Import Substitution	\$	68,231,289
Net or New Revenue	\$	71,221,544

#### Cummings

Estimated Gaming Revenue	\$	149,200,000
Estimated Gaming Export	\$	4,800,000
Estimated Gaming Import Substitution	\$	39,900,000
Net or New Revenue	\$	44,700,000

Average Net Revenue \$ 57,960,772

Net as a % of Gaming Revenue 43.1%

New Gaming Spending by Kansans \$ 83,898,228

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics



# Money Flows from State to State

## NET GAMING REVENUES IN KANSAS CASINOS, 2013

*Based on Raving Alternative Minimum destination casino design*

### KANSAS ENTERTAINMENT, WYANDOTTE

#### Wells

Estimated Gaming Revenue	\$	178,101,000
Estimated Gaming Export	\$	43,478,721
Estimated Gaming Import Substitution	\$	87,788,024
Net or New Revenue	\$	131,266,745

#### Cummings

Estimated Gaming Revenue	\$	191,400,000
Estimated Gaming Export	\$	53,400,000
Estimated Gaming Import Substitution	\$	76,700,000
Net or New Revenue	\$	130,100,000

Average Net Revenue \$ 130,683,373

Net as a % of Gaming Revenue 70.7%

New Gaming Spending by Kansans \$ 54,067,128

### CHISHOLM CREEK, SUMNER

#### Wells

Estimated Gaming Revenue	\$	156,449,000
Estimated Gaming Export	\$	4,466,073
Estimated Gaming Import Substitution	\$	87,883,992
Net or New Revenue	\$	92,350,065

#### Cummings

Estimated Gaming Revenue	\$	154,000,000
Estimated Gaming Export	\$	6,400,000
Estimated Gaming Import Substitution	\$	41,000,000
Net or New Revenue	\$	47,400,000

Average Net Revenue \$ 69,875,033

Net as a % of Gaming Revenue 44.7%

New Gaming Spending by Kansans \$ 85,349,468

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

# Money Flows from State to State

## NET GAMING REVENUES IN KANSAS CASINOS, 2015

*Based on applicant's proposed full build-out*

### KANSAS ENTERTAINMENT, WYANDOTTE

#### Wells

Estimated Gaming Revenue	\$	222,699,000
Estimated Gaming Export	\$	56,803,392
Estimated Gaming Import Substitution	\$	112,526,489
Net or New Revenue	\$	169,329,881

#### Cummings

Estimated Gaming Revenue	\$	225,700,000
Estimated Gaming Export	\$	67,100,000
Estimated Gaming Import Substitution	\$	91,100,000
Net or New Revenue	\$	158,200,000

Average Net Revenue \$ 163,764,941

Net as a % of Gaming Revenue 73.0%

New Gaming Spending by Kansans \$ 60,434,560

### CHISHOLM CREEK, SUMNER

#### Wells

Estimated Gaming Revenue	\$	180,639,000
Estimated Gaming Export	\$	6,844,521
Estimated Gaming Import Substitution	\$	108,410,942
Net or New Revenue	\$	115,255,463

#### Cummings

Estimated Gaming Revenue	\$	166,400,000
Estimated Gaming Export	\$	8,000,000
Estimated Gaming Import Substitution	\$	49,800,000
Net or New Revenue	\$	57,800,000

Average Net Revenue \$ 86,527,732

Net as a % of Gaming Revenue 47.9%

New Gaming Spending by Kansans \$ 86,991,769

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

# Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
  - IMPLAN models lower than likely new reality
  - Applicants made case for varying labor cost
- Unable to use submissions due to inconsistent productivity values

LABOR COSTS ADJUSTMENTS				
Based upon applicants' projections of revenue, employment, and wages				
	Kansas Entertainment	Chisholm Creek	Average	
Projected Revenue per Employee (FTE)	\$ 253,377	\$ 201,876	\$ 227,627	
Applicant Submitted Wages per Employee (FTE)	\$ 34,663	\$ 46,022	\$ 40,343	









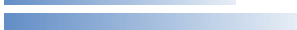
*Source: Applicant Submissions, Civic Economics*

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# Finally, on to the numbers ...

# Operating Impact, Sumner

## OPERATING IMPACTS SUMMARY CHISHOLM CREEK, SUMNER COUNTY

		Direct	Indirect	Induced	Total	Relative Impacts
<b>ECONOMIC OUTPUT</b>		Total revenues associated with construction (\$ Real Dollars)				
Phase I	2013	\$ 81,406,546	\$ 35,738,372	\$ 22,817,413	\$ 139,962,328	
Raving Minimum	2013	\$ 97,878,637	\$ 42,770,767	\$ 27,481,926	\$ 168,131,330	
Full Build-Out	2015	\$ 128,444,845	\$ 56,272,159	\$ 35,970,867	\$ 220,687,876	
<b>EMPLOYMENT</b>		Total workers, including full-time and part-time				
Phase I	2013	650	258	196	1,105	
Raving Minimum	2013	760	311	237	1,308	
Full Build-Out	2015	932	385	292	1,609	
<b>WAGES</b>		Total wages paid to workers identified above (\$ Millions, Real Dollars)				
Phase I	2013	\$ 17,980,731	\$ 11,890,804	\$ 6,932,848	\$ 36,804,383	
Raving Minimum	2013	\$ 21,677,326	\$ 14,297,537	\$ 8,350,034	\$ 44,324,898	
Full Build-Out	2015	\$ 28,293,773	\$ 18,797,968	\$ 10,929,402	\$ 58,021,146	

Source: Applicant Submissions, IMPLAN, Civic Economics

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# Non-Gaming Competitive Impacts

# Competitive Impacts

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- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Far simpler in 2009 as proposals are far less wide-ranging
  - Buffet, snack bar, steakhouse
  - Modest entertainment facilities
  - Bars in casino

# Gaming Spend Issue

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- Remaining projected revenue after NET is new gaming spending by Kansans
- This is money that previously went to other discretionary activity
- Beyond scope here to evaluate sources of that money, but totals are as follows



NEW GAMING SPENDING BY KANSANS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	30.9%	New Gaming Spend as a % of Gaming Revenue	56.9%
New Gaming Spend by Kansans (In Millions)	\$ 56.2	New Gaming Spend by Kansans (In Millions)	\$ 91.7
NEW GAMING SPENDING BY KANSANS, 2013			
Based on Raving Alternative Minimum destination casino design			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	29.3%	New Gaming Spend as a % of Gaming Revenue	55.3%
New Gaming Spend by Kansans (In Millions)	\$ 59.1	New Gaming Spend by Kansans (In Millions)	\$ 93.3
NEW GAMING SPENDING BY KANSANS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	27.0%	New Gaming Spend as a % of Gaming Revenue	52.1%
New Gaming Spend by Kansans (In Millions)	\$ 70.1	New Gaming Spend by Kansans (In Millions)	\$ 100.8

SOURCE: Wells, Cummings, Civic Economics

# Comparison to 2008 Proposals

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- 2009 Chisholm Creek proposal generates estimated NET gaming revenues between **43.1%** and **47.9%**.
- 2008 Sumner County proposals generated estimated NET gaming revenues of between **42.3%** and **52.0%**.

# Food and Beverage Competition

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- Reviewed Claritas data for 2009 sales in dining and drinking establishments
  - Kansas side of KC Metro
  - Wichita Metro
- Compared Raving forecast of F&B sales
- Very small impacts in both counties
- 1 - 1.5% in KC
- 2 - 2.2% in Wichita

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**Thank you.**

CivicEconomics.com  
*dhouston @ or mattc @*